

BUSINESS MEETING
BEFORE THE
CALIFORNIA ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION

In the Matter of:)
)
Business Meeting)
)
)

CALIFORNIA ENERGY COMMISSION
HEARING ROOM A
1516 NINTH STREET
SACRAMENTO, CALIFORNIA

WEDNESDAY, APRIL 30, 2003

10:04 a.m.

Reported by:
Peter Petty
Contract No. 150-01-006

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

COMMISSIONERS PRESENT

William J. Keese, Chairperson

James D. Boyd

John L. Geesman

Arthur H. Rosenfeld

STAFF PRESENT

Bill Chamberlain, Chief Counsel

Bob Therkelson, Executive Director

Roberta E. Mendonca, Public Advisor

Betty McCann, Secretariat

Rasa Keanini

Mike Kane

Chris Kavalec

James Reede

Thom Kelly

ALSO PRESENT

Steven Kelly, ICP

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P R O C E E D I N G S

10:04 a.m.

CHAIRMAN KEESE: I call this business of the Energy Commission to order. Commissioner Boyd, will you lead in the Pledge.

(Thereupon, the Pledge of Allegiance was recited by all.)

CHAIRMAN KEESE: Thank you, everyone. Commissioner Pernell will not be joining us today. Consent calendar, do I have a motion?

COMMISSIONER ROSENFELD: I so move.

CHAIRMAN KEESE: Motion, Commissioner Rosenfeld.

COMMISSIONER BOYD: Second, Boyd. All in favor?

(Ayes.)

CHAIRMAN KEESE: Opposed. Adopted four to nothing.

Item 2, Renewable Energy Program possible approval of Renewable Committee revisions to the guide book for the Renewable Energy Program.

MS. KEANINI: Good morning, Commissioners. The item that we bring before you today is approval of substantive changes to the

1 customer credits for account guidelines to allow
2 for payment for 2002 and early 2003 activity.

3 Payment for activity during this time
4 period was proposed and adopted in the customer
5 credit report at the April 2nd, business meeting.
6 Today we ask you to approve the Renewable
7 Committee's recommendation to adopt the proposed
8 changes to the customer credits of the account
9 guidelines.

10 I would be happy to answer any questions
11 that you might have regarding this.

12 CHAIRMAN KEESE: Thank you. Do we have
13 any questions here?

14 COMMISSIONER GEESMAN: No, these are
15 conforming changes to reflect the changes that
16 were in the report that we earlier approved.

17 CHAIRMAN KEESE: Okay.

18 COMMISSIONER GEESMAN: I would move the
19 recommendation.

20 CHAIRMAN KEESE: Motion, Commissioner
21 Geesman.

22 COMMISSIONER BOYD: Second.

23 CHAIRMAN KEESE: Second, Commissioner
24 Boyd. Do we have any public comment on this
25 issue? Mr. Kelly.

1 MR. STEVEN KELLY: Steven Kelly with the
2 Independent Energy Producers. And I also support
3 this action by the Committee. I also want to
4 applaud the principle that we were making changes
5 prospectively to inform the market place how
6 you're going to be paying in the future and
7 handling of that matter, which I think has come up
8 in some of the previous workshops.

9 So I applaud the way this is being
10 handled and support this wholeheartedly.

11 CHAIRMAN KEESE: Thank you.

12 COMMISSIONER GEESMAN: Thank you.

13 CHAIRMAN KEESE: Any other comments?
14 None up here? All in favor?

15 (Ayes.)

16 CHAIRMAN KEESE: Opposed? Adopted four
17 to nothing. Thank you. It was not that easy to
18 get to where we are on that issue.

19 Item 3, University of California Davis
20 possible approval of Contract 5000029, Amendment 1
21 for \$207,882 to extend the term of the contract to
22 December 31st, 2003 for the Wind Energy
23 Consortium.

24 MR. KANE: Good morning. In an effort
25 to foster additional development of more energy --

1 CHAIRMAN KEESE: For the record, name.

2 MR. KANE: Excuse me?

3 CHAIRMAN KEESE: Your name for the
4 record.

5 MR. KANE: Mike Kane. And in order to
6 foster development of wind energy in the State of
7 California, the Commission created with California
8 Wind Energy collaborative or the CWEC, which is
9 managed by the University of California Davis.

10 The mission statement of CWEC is to
11 support the development safe, reliable and
12 environmentally sound at affordable wind electric
13 generation capacity with the State of California.
14 In support of this effort the CWEC manages focused
15 statewide programs and signed up with research
16 technology development employment and technical
17 training.

18 These efforts are conducted in close
19 cooperation with industries, state and federal
20 agencies, and other institutions to maximize the
21 benefits of wind energy in California. This
22 amendment proposes to increase the funding by
23 \$207,882 and to extend the term of the contract to
24 December of 2003.

25 The additional time and money are

1 required to maintain continuity of the wind
2 collaborative efforts until a plan follow on
3 contract is in place in 2004. During this period,
4 the wind collaborative will manage an expanded
5 workload, including a renewable portfolio standard
6 integration study, and coordinates with the Cal
7 ISO and California PUC.

8 Any questions?

9 CHAIRMAN KEESE: Commissioner Geesman?

10 COMMISSIONER GEESMAN: Unfortunately, my
11 schedule has been such that I've missed a couple
12 of the R&D committee meetings recently, including
13 the one that took this out. While I'm supportive
14 of the contract, and certainly supportive of the
15 collaborative effort, I would like in the future
16 to explore with the collaborative better focusing
17 on landowner issues.

18 We are expecting a very significant
19 expansion in wind capacity in the state under the
20 RPS. And anticipating that of necessity a fair
21 amount of that will also have to be the repowering
22 of existing sites. And I'm concerned that in the
23 equation we need to give appropriate attention to
24 the landowner variable.

25 I think we've now accumulated enough

1 experience at some of the sites that have been
2 operating over the course of the last 20 years to
3 have a pretty good profile on landowner issues.
4 And I think in order to pave the way to a smooth
5 expansion of capacity in the future, the
6 collaborative needs to take up a closer
7 identification of landowner issues and how best to
8 resolve them.

9 MR. KANE: Well, that is -- we are
10 working on the second follow on contract now. And
11 that is something I will talk to them and try to
12 incorporate into it.

13 COMMISSIONER GEESMAN: Okay. I would
14 move the item, Mr. Chairman.

15 CHAIRMAN KEESE: Okay. Commissioner
16 Geesman.

17 COMMISSIONER ROSENFELD: Second.

18 CHAIRMAN KEESE: Second, Commissioner
19 Rosenfeld. Any public comment? All in favor?

20 (Ayes.)

21 CHAIRMAN KEESE: Opposed? Adopted four
22 to nothing.

23 MR. KANE: Okay. Thank you.

24 CHAIRMAN KEESE: Thank you. We'll take
25 up item 12 immediately after item four, just in

1 case anybody's interested. Item four, California
2 Air Resource Board, possible approval of Contract
3 602008 for \$40,000 to conduct a joint study to
4 identify the effects of higher fuel economy and
5 California driving patterns. Note that this ERPA
6 funded.

7 Good morning.

8 MR. KAVALEC: Good morning. I'm Chris
9 Kavalec from the transportation division. This
10 contract, \$40,000, interagency agreement with the
11 Air Resources Board. The contract is going to
12 examine the impact of driving, or the impact of
13 fuel efficiency on driving and improved fuel
14 efficiency on driving in California.

15 This is important for not only our own
16 work, but analysis, upcoming analysis, for the
17 Pauley Bill. It's been approved by the Committee.
18 And there was one minor mistake. I'm not sure if
19 it's there on the latest agenda. But it said PIER
20 funded. It's actually ERPA funded.

21 And I'll be happy to take any questions
22 you have.

23 CHAIRMAN KEESE: Any questions here? Do
24 I have a motion?

25 COMMISSIONER BOYD: I move.

1 CHAIRMAN KEESE: Motion, Commissioner
2 Boyd.

3 COMMISSIONER ROSENFELD: Second.

4 CHAIRMAN KEESE: Second, Commissioner
5 Rosenfeld. Public comment? All in favor?

6 (Ayes.)

7 CHAIRMAN KEESE: Opposed? Adopted four
8 to nothing. Thank you.

9 Item 12. Mr. Chamberlain, this is an
10 added item to the budget. Do we have to vote to
11 add it to the agenda?

12 MR. CHAMBERLAIN: Yes. The Commission
13 needs to make a finding that there exists a need
14 to take the item up immediately, and that the need
15 for the action came to the attention of the
16 Commission, subsequent to the original agenda
17 being posted.

18 COMMISSIONER GEESMAN: I would so move,
19 Mr. Chairman.

20 MR. ROSENFELD: I second.

21 CHAIRMAN KEESE: Motion, Commissioner
22 Geesman, and second Commissioner Rosenfeld. All
23 in favor?

24 (Ayes.)

25 CHAIRMAN KEESE: Adopted four to nothing

1 then. This item is now on the agenda. We'll take
2 up item 12, Modesto Irrigation District Electric
3 Generation Station Project 03SPPE1, possible
4 approval of a citing committee for the Modesto
5 Irrigation District Electric General Station
6 Project Small Power Plant Exemption application.

7 If that becomes an acronym it will break
8 the computer. James, Mr. Reede.

9 MR. REEDE: Good morning, Chairman Keese
10 and Commissioners. My name is Dr. James Reede,
11 and I'm the energy facility citing project manager
12 assigned to the Modesto Irrigation District
13 Electric Generation Station Small Power Plant
14 Exemption.

15 On April 21st, MID filed a small power
16 plant exemption seeking an exemption from the
17 California Energy Commission licensing
18 requirements. They proposed to construct and
19 operate a 95 megawatt simple cycle generation
20 plant in the City of Ripon, California located in
21 San Joaquin County.

22 We are asking that a citing committee be
23 established because there's no requirement for
24 data adequacy and we are under the time
25 constraints called out in our rules and

1 regulations of 135 days.

2 CHAIRMAN KEESE: Thank you. As you have
3 stated, there is no data adequacy request
4 requirement on this. There is a requirement that
5 a hearing starts within 120 days. There is a
6 target date of 135 days from the date of
7 application, which was April 21st.

8 So it is necessary that we get acting on
9 this quite rapidly. I would seek a motion to
10 Commissioner Boyd on this and Commissioner Pernell
11 the second. Do I have such a motion?

12 COMMISSIONER GEESMAN: So moved.

13 COMMISSIONER ROSENFELD: Second.

14 CHAIRMAN KEESE: Motion, Commissioner
15 Geesman. Second, Commissioner Rosenfeld. All in
16 favor?

17 (Ayes.)

18 CHAIRMAN KEESE: Opposed? Adopted four
19 to nothing. Well, Robert was not here. We could
20 have made a switch here.

21 COMMISSIONER BOYD: No, I graciously
22 accepted the invitation. I love the valley.

23 CHAIRMAN KEESE: And we'll take up item
24 5, Draft Energy Action Plan. The Energy
25 Commission will consider the April 16th, 2003

1 Draft Energy Action Plan.

2 MR. THOM KELLY: You have the
3 opportunity -- Thom Kelly, the strategic
4 information grouper, whatever we call ourselves.
5 We have a resolution for you today approving the
6 Energy Action Plan in sequential conjunction with
7 the Power Authority and the PUC last.

8 I'm about to read into the record all
9 ten pages of the Action Plan. That gives you some
10 context for when I don't. You really appreciate
11 me more. The resolution states: Be it resolved
12 by the Energy Commission that by approving the
13 Action Plan it will, along with the Power
14 Authority and the PC, work cooperatively, discuss
15 critical energy issues jointly, share information,
16 and it's your broad basis for decision making to
17 effect six common goals.

18 First is optimize energy conservation
19 and resource efficiency. The second is accelerate
20 the state's goal for renewable generation. This
21 is ensure reliable affordable electricity
22 generation. Fourth is upgrade and expand the
23 transmission and distribution infrastructure.

24 Fifth is promote customer and utility
25 owned generation, distributed generation. And

1 sixth is ensure reliable supply of reasonably
2 priced natural gas.

3 CHAIRMAN KEESE: Thank you, Mr. Kelly.
4 This is the culmination of a long journey by the
5 three agencies towards cooperation and
6 coordination of the activities. It actually began
7 a year ago and has been building to this point.
8 It could not have been accomplished by the Energy
9 Commission alone.

10 It took the Public Utilities Commission
11 and the Power Authority working with us to get to
12 where we are. We have to give a great deal of
13 credit to Chairman Peevy and President or Chairman
14 David Freeman. The Sunny McPeak of the Power
15 Authority was a dynamo in continuing to push
16 forward on this issue and push us.

17 Commissioner Geesman took a very active
18 role. And I'll ask him to speak a little to that
19 later. Obviously, we got together and decided we
20 had to do this. Then the job of doing it fell to
21 Bob Therkelson, Laura Doll and Barbara Hale for
22 the different entities, and the lead craftsman was
23 Mr. Kelly.

24 We thank them all. I'd like to comment
25 briefly on the relationship to our Integrated

1 Energy Policy Report, our IPER. Basically we came
2 to the conclusion that we cannot wait until
3 November 1st, to start cooperating and
4 coordinating our different activities.

5 As President Peevy said, speaking of
6 David Freeman, only three members, David Freeman,
7 myself and he, we're too old to wait that long.
8 We've got to get started and we want action now.
9 We're already working together. We're cooperating
10 getting towards our renewable portfolio standard.

11 Our staff is working with the PUC. The
12 PUC staff is working with us. We took it upon
13 ourselves here to suggest that we don't have to
14 wait until 2017. We adopted a target date of
15 2010. We're also working together very closely,
16 and have been, for over a year now.

17 Commissioner Rosenfeld's endeavors and
18 demand response, which are reaching culmination.
19 So we have activities that we're working together
20 on. We've broadened the scope. We're approving
21 today. The word was approve. We're not adopting.

22 This is a road map for our energy
23 agencies will cooperate in the future. If we're
24 going to adopt, each of the entities will have a
25 hearing process, an open hearing process, which

1 testimony is taken and we take specific actions
2 agency by agency.

3 But it serves as the road map for this
4 cooperation and coordination. So, once again, I
5 thank everybody who's collaborated in getting us
6 where we are. Commissioner Geesman.

7 COMMISSIONER GEESMAN: Well, I had a
8 couple of things to say. I had some fairly sharp
9 words at our joint meeting as it related to the
10 transmission aspect of the plan. And I do
11 continue to believe that this is an area that will
12 require statutory change before the state is
13 adequately addressing its transmission
14 infrastructure needs.

15 But I think the approach that we've
16 adopted in the plan represents a good faith
17 effort, particularly on the part of the Public
18 Utilities Commission, to better coordinate the
19 planning function to identify which projects are
20 needed and what methodology should be utilized in
21 determining that need.

22 And hopefully that cooperation will
23 better facilitate the eventual licensing of those
24 facilities. I also think, as Chairman Keese
25 touched on, and I said it at the joint meeting,

1 there are two elements that are fairly simply
2 stated, and to some extent lost in the verbiage,
3 that to me are significant beacons of change in
4 this plan.

5 One is the item that Chairman Keese
6 mentioned, the acceleration of the renewable
7 portfolio standard goals from 2017 to 2010. The
8 other is the commitment to pursue a policy of
9 declining for capital electricity consumption.

10 I think in both instances those are
11 ordering principles, and pretty simple metrics to
12 evaluate whether we're actually making progress on
13 those goals or not. We've got a great deal of
14 work to do in each of the two areas in determining
15 what programs and what initiatives, and what money
16 will be necessary to accomplish those objective.

17 I think if we faithfully apply them it
18 will transform virtually everything that this
19 Commission and the Public Utilities Commission do.
20 And I'm pleased by the implicit commitment of the
21 three agencies that we will provide the resources
22 necessary to accomplish those objectives.

23 I think this is a great day in the
24 energy policy development of the state, and I'm
25 proud to have been a part of it.

1 CHAIRMAN KEESE: Thank you. And my
2 final comment that referring again to the
3 Integrated Energy Policy Report, I believe this
4 will bring in these other two agencies into our
5 process. And we hope by doing that to bring in
6 the other many relevant state agencies to work
7 with us towards the goal of delivering the IFER on
8 November 1st.

9 We have already seen that cooperation
10 expanding and we'll look forward to another
11 success by November 1st. Commissioner Boyd.

12 COMMISSIONER BOYD: I would like to take
13 this opportunity to commend you and Commissioner
14 Geesman for the many trips that you had to take
15 and the effort you put into this document. As you
16 indicated this process started more than a year
17 ago with the first public joint meeting of the
18 three agencies.

19 And I think it was pioneered, as you
20 indicated, by Commissioner Rosenfeld's work on the
21 main management and all that that entails. I want
22 to commend Bob Therkelson and Thom Kelly for the
23 work that I know they did on this. Thom Kelly
24 particular for putting up with my many, many
25 e-mails on the subject, and always there to

1 respond.

2 As a long time student and practitioner
3 of public administration, it did bother me
4 somewhat that the three agencies had to go through
5 this process and develop a plan to be publicly
6 approved, or acted upon, because theoretically
7 government agencies should easily work together.

8 But as a long time practitioner I know
9 that's not the case. And as an observer and
10 participant in the energy issues in California for
11 the last four to five years, it became quite
12 obvious that a document like this was necessary
13 and is quite pioneering.

14 And so I would agree that this
15 represents a quantum leap forward in where we need
16 to go and what we need to do in the energy arena
17 in this state. And I've already observed orders
18 of magnitude increases in the cooperation between
19 the agencies in the last many months as more and
20 more effort was put into finalizing this plan and
21 identifying the kind of things we've done.

22 So I think it's already had a positive
23 effect on the working relationship. And finally,
24 I would agree with you that while some people, for
25 reasons that surprise me at seeing some conflict

1 between this and the Integrated Energy Planning
2 Report, I would agree as Chairman of that group
3 that there's absolutely no conflict.

4 In fact, they supplement and compliment
5 each other quite effectively. And the fact that
6 the plan was being prepared has helped in the
7 cooperation we've received from other agencies,
8 and I look forward to even greater cooperation, I
9 think the citizens of this state will benefit a
10 lot from the work that everybody put into this
11 talk here and the fact that it exists.

12 And as we redesign some of our future
13 and design the rest of it, I think the cooperation
14 between these agencies will be both needed and
15 will be outstanding in terms of what we can do in
16 working together. And I surely have met people of
17 the State of California that we have a very
18 positive and aggressive plan, comprehensive and
19 efficient energy plan for the state.

20 So I look forward to our future actions
21 together.

22 CHAIRMAN KEESE: Thank you.

23 MR. ROSENFELD: Well, as long as we're
24 all showing how happy we are I just would like to
25 say that on behalf of my whole team we've been

1 working for a year and a half with BUC now, and
2 it's been a great pleasure. It's worked very
3 well.

4 We are now talking to new Commissioner,
5 Susan Kennedy, who's taken over the efficiency,
6 and we're beginning to work with her. And we hope
7 again to have all these teams well intermingled.
8 And we're very pleased with the way things are
9 going. So this document really seems to have some
10 activity behind it. Thank you.

11 CHAIRMAN KEESE: Thank you. Are there
12 any public comments? Mr. Kelly.

13 MR. STEVEN KELLY: Steven Kelly with the
14 Independent Energy Producers. And we do want to
15 support your approval of this plan. And I'd have
16 to say in my 12 years, plus years, working in the
17 energy business this a unique circumstance where
18 we see all of the major energy agencies in
19 California working together, sending common
20 signals to the market participants and so forth.

21 And we applaud you for that. And I want
22 to support and applaud the staff for all their
23 work they've done on this. We do support what we
24 kind of call the highbred vision that you've laid
25 out here, which is one of vigorous competitive

1 wholesale energy and renewed positive regulation.

2 We think that is a positive vision that
3 you've laid out in a model that will work well for
4 California. And certainly we support the
5 aggressive action on the six action items that
6 you've laid out in this plan.

7 So we look forward to working with you
8 as well as the other state agencies on developing
9 this, implementing this, and bringing California
10 to a more sustainable energy practice here. Thank
11 you very much.

12 CHAIRMAN KEESE: Thank you. Any other
13 public comment? Do I have a motion of approval?

14 COMMISSIONER GEESMAN: So moved,
15 Mr. Chairman.

16 COMMISSIONER ROSENFELD: Second.

17 CHAIRMAN KEESE: Motion, Geesman.
18 Second, Commissioner Rosenfeld. All in favor?

19 (Ayes.)

20 CHAIRMAN KEESE: Approved. Four to
21 nothing. Thank you. Minutes.

22 COMMISSIONER BOYD: Motion.

23 CHAIRMAN KEESE: Motion, Commissioner
24 Boyd.

25 COMMISSIONER ROSENFELD: Second.

1 CHAIRMAN KEESE: Second, Commissioner
2 Rosenfeld. All in favor?

3 (Ayes.)

4 CHAIRMAN KEESE: Approved. Four to
5 nothing. Committee and oversight. Chief
6 counsel's report.

7 MR. CHAMBERLAIN: Mr. Chairman, I just
8 have one very brief item in closed session related
9 to a settlement process that we discussed with you
10 at the last meeting.

11 CHAIRMAN KEESE: Thank you. We'll do it
12 very brief.

13 MR. CHAMBERLAIN: Yes. I think it's
14 probably brief enough that we can just do it in
15 the room back there.

16 CHAIRMAN KEESE: We'll do it here. The
17 Executive Director's Report.

18 MR. THERKELSON: Good morning,
19 Commissioners. And thank you for your comments on
20 the Energy Action Plan. The next step to that is
21 well underway. The three agencies are working on
22 details of implementing a plan, not only the
23 specific bullets that are listed in there, but
24 achieving those overall goals that were mentioned
25 earlier that are stretch goals for the agencies to

1 achieve.

2 And we will have more details on that
3 for you. We're also starting work next month on
4 our work plans for next fiscal year. And those
5 work plans will be crafted to make sure that we're
6 accomplishing objectives that are laid out in the
7 Energy Action Plan.

8 The last comment that I have is we have
9 our hearing before the senate budget sub committee
10 tomorrow, and right now we're not aware of any
11 strange and wonderful issues that should come up
12 at that hearing. Thank you.

13 CHAIRMAN KEESE: Thank you. Any
14 questions? Public Advisor's report.

15 MS. MENDONCA: Good morning. And thank
16 you very much. I do have a brief report today. I
17 was hoping that Ms. Bos was returning as I am
18 announcing that today is in fact her last day.
19 And I'm not sure if she's retiring at the end of
20 the day or when her alarm goes off in the morning.

21 But at any rate, she is concluding her
22 second career at the Energy Commission. She was
23 here in the '90s, and then left to go to San
24 Francisco at the Department of Industrial
25 Relations. And that juncture I left the

1 Department of Industrial Relations and came to the
2 Energy Commissions.

3 So we've always compared and enjoyed the
4 fact that we were once passing ships, but we both
5 landed here together in the same harbor. I want
6 to commend her for her excellent support. She
7 did the maximum for the public always. And I will
8 miss her. Thank you.

9 CHAIRMAN KEESE: Thank you. And on
10 behalf of all of us, Grace. Any public comment?
11 None. This meeting is adjourned subject to our
12 brief meeting in Executive Session on a matter of
13 legal input.

14 (Thereupon, at 10:31 a.m., subsequent to
15 executive session, the meeting was
16 adjourned.)

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CERTIFICATE OF REPORTER

I, PETER PETTY, an Electronic Reporter,
do hereby certify that I am a disinterested person
herein; that I recorded the foregoing California
Energy Commission Business Meeting; that it was
thereafter transcribed into typewriting.

I further certify that I am not of
counsel or attorney for any of the parties to said
meeting, nor in any way interested in outcome of
said meeting.

IN WITNESS HEREOF, I have hereunto set
my hand this 7th day of May, 2003

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345